

# A LABOR DAY BRIEFING FOR CALIFORNIA

September 2006

State of California  
Employment Development Department  
Labor Market Information Division

This [Briefing](#) was prepared to report on California's labor markets as the nation commemorates Labor Day, September 4. This report presents significant labor market trends and topical statistics relating to the California economy.

Arnold Schwarzenegger, Governor  
State of California

Victoria L. Bradshaw, Secretary  
Labor and Workforce Development  
Agency

Patrick W. Henning, Director  
Employment Development Department

Tim Taormina, Chief  
Labor Market Information Division

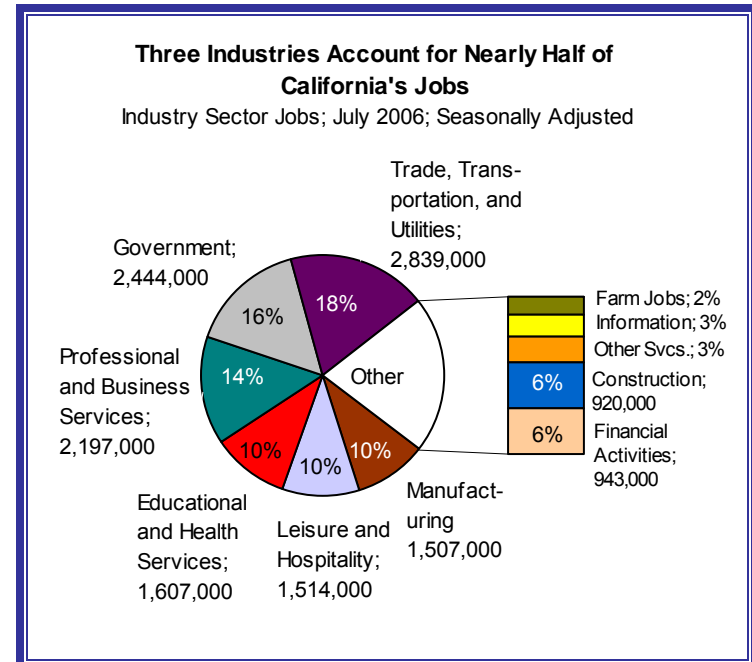
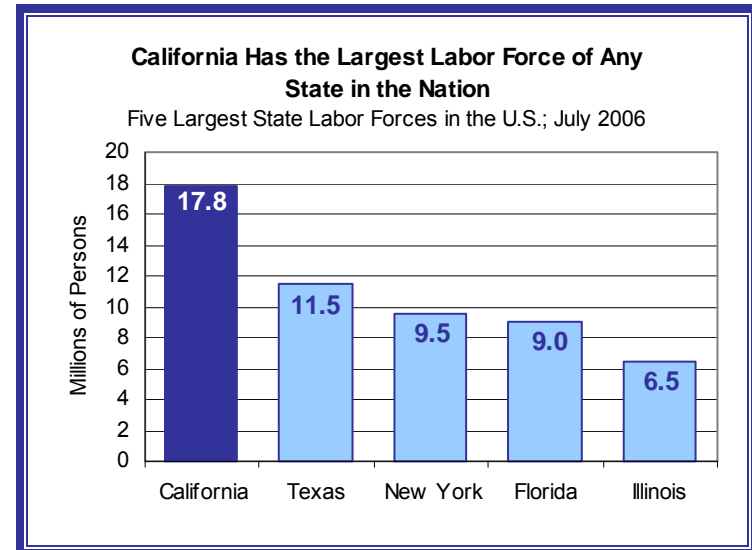
Media contact:

Kevin Callori  
Communications Office,  
Public Affairs Branch, EDD  
(916) 654-9029



## A FEW BASIC FACTS

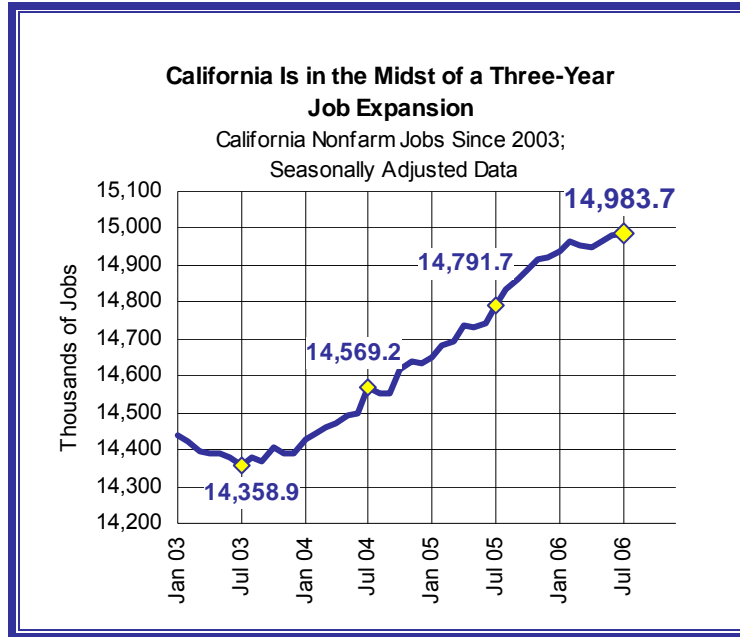
- ▶ California has the largest labor force of any state in the nation. According to the July household survey of employment, there are 17.8 million persons in the California labor force. One out of every 8.5 persons in the American labor force resides in California.
- ▶ There are 16.9 million working Californians, and fewer than 900,000 unemployed Californians. One out of every ten working Californians is self-employed. Less than one out of every five working Californians works part-time.
- ▶ Nearly two-thirds of California's population 16 years and older participate in the labor force. The remainder of the working-age population is not in the labor force, a category that includes homemakers, stay-at-home caregivers, students, disabled persons, and retirees.
- ▶ California also has the nation's largest job market, with nearly 15.4 million jobs (including farm jobs). This figure is based on the July payroll survey of business establishments, which defines employment differently than the household survey.
- ▶ More than four out of every five jobs in California is in service-providing industries, and less than one out of every five jobs is in goods-producing industries. Farm employment accounts for 2 percent of all California jobs.
- ▶ Trade, transportation, and utilities; government (with nearly half of all government jobs in education); and professional and business services are the industry sectors with the largest number of jobs. These three sectors account for nearly half of California's jobs. Manufacturing, educational and health services, and leisure and hospitality each account for one of every ten jobs. Together, construction and financial activities account for one out of every eight jobs.



# CALIFORNIA'S JOB EXPANSION IS NOW THREE YEARS OLD

## JOBS

- ▶ July marked the third year of California's current job expansion. California nonfarm payrolls reached a record high of 14,983,700 jobs in July 2006. California has added 624,800 jobs since July 2003.
- ▶ The California economy has grown at a consistent pace over the last three years. California's nonfarm payrolls grew 192,000 jobs over the year ending in July 2006. This compares to year-over growth totaling 222,500 jobs in July 2005 and 210,300 jobs in July 2004.



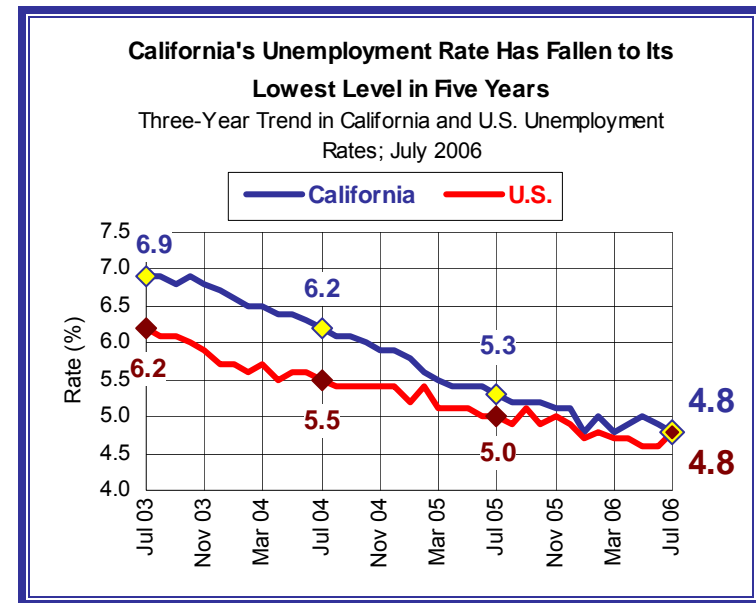
- ▶ The U.S. job expansion is also nearly three years old. National job gains totaled 1.7 million jobs over the last year and 5.5 million jobs over the last three years.
- ▶ California's pattern of job growth has largely paralleled the nation's. In percentage terms, nonfarm payrolls grew by 1.3 percent in both California and the U.S. over the

last year. Over the last three years nonfarm payrolls expanded by 4.4 percent in California and 4.3 percent in the nation.

- ▶ California's pace of job growth has slowed since the beginning of 2006 as the economy copes with the effects of a softening housing market, high energy prices, and rising interest rates. Year-to-date California has added 64,800 jobs, growing at an annualized pace of 0.7 percent. The nation has also experienced slower job growth in recent months.

## LABOR FORCE EMPLOYMENT

- ▶ California's unemployment rate is at its lowest level in five years. California's unemployment rate fell to 4.8 percent in July 2006, the same as it was in January and March. The last time the state had an unemployment rate below 4.8 percent was in February 2001.



- ▶ The U.S. unemployment rate was also 4.8 percent in July. This was the first month since April 1990 that California had the same unemployment rate as the nation.
- ▶ The California unemployment rate fell by 2.1 percentage points over the last three years, including a 0.5 percentage point drop over the last year. In contrast, the U.S. rate decreased 1.4 percentage point over the last three years and 0.2 percentage point over the last year.
- ▶ The number of employed Californians increased by 155,000 persons over the year ending in July 2006. This

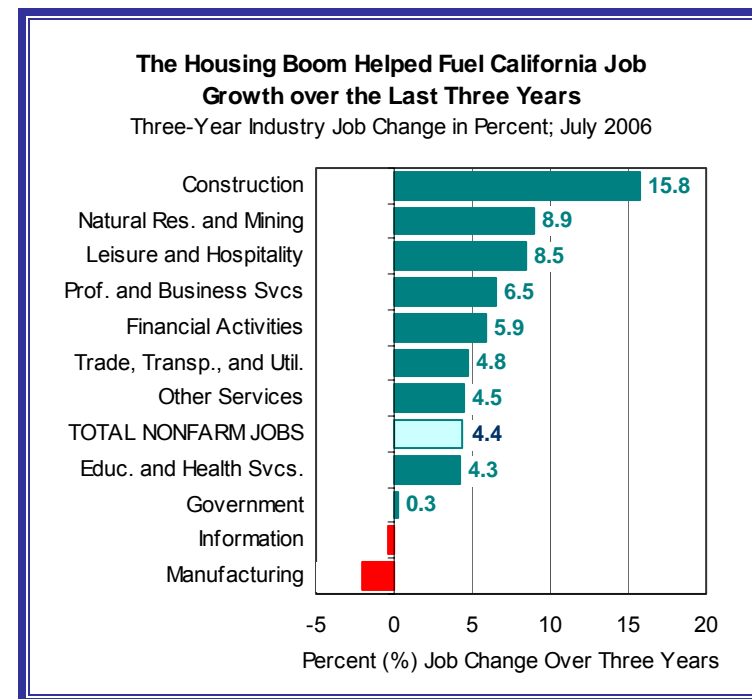
compares to year-over employment gains of 337,000 persons in July 2005 and 222,000 persons in July 2004.

- ▶ California's three-year civilian employment gains totaled 714,000 persons in July 2006.
- ▶ There were 72,000 fewer unemployed Californians in July than one year ago. This compares to year-over unemployment decreases of 156,000 persons and 115,000 persons in July 2005 and July 2004, respectively.
- ▶ There were 343,000 fewer unemployed Californians in July 2006 than in July 2003, a decline of 28 percent.

## INDUSTRY HIGHLIGHTS

### THREE-YEAR TRENDS

- ▶ California has had broad-based industry job growth in the current expansion. Nine of California's 11 major industry sectors gained jobs over the last three years, and just two lost jobs.
- ▶ Professional and business services (134,700 jobs); trade, transportation, and utilities (129,200 jobs); construction (125,500 jobs); and leisure and hospitality (118,500 jobs) grew by more than 100,000 jobs over the last three years. Together, these four industries accounted for over four out of every five new jobs in the California economy since July 2003.
- ▶ Educational and health services (65,900 jobs), and financial activities (52,600 jobs) were the other industries with three-year job gains totaling more than 50,000 jobs. The only sectors to lose jobs over the last three years were manufacturing (31,300 jobs), and information (1,500 jobs).
- ▶ Construction payrolls expanded at the fastest rate of any industry sector, growing by 15.8 percent.



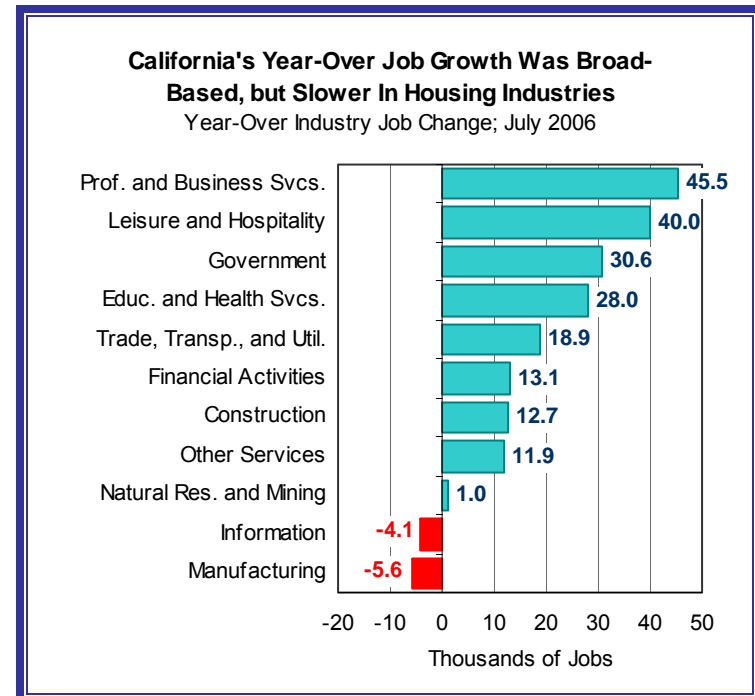
- ▶ Natural resources and mining (8.9 percent); leisure and hospitality (8.5 percent); professional and business services (6.5 percent); and financial activities (5.9 percent) were the California industries with payroll increases exceeding 5.0 percent over the last three years. Trade, transportation, and utilities (4.8 percent); and other services (4.5 percent) were the other industries to grow by more than the California three-year growth rate of 4.4 percent.
- ▶ California's housing boom helped fuel the State's job growth over the last three years. The construction and financial activities sectors combined accounted for nearly three out of every ten new California jobs over the last three years. Construction alone accounted for one out of every five nonfarm jobs. Job growth within the financial activities sector was paced by the credit intermediation and related activities, the industry that includes mortgage brokers and bankers, and real estate industries.

#### YEAR-OVER INDUSTRY TRENDS

- ▶ In July 2006, nine California industry sectors showed year-over job gains and two showed year-over losses.
- ▶ The largest year-over job gain was in professional and business services (45,500 jobs). Unadjusted data show that the high-wage professional, scientific, and technical services industry accounted for a little less than half (45 percent) of this growth. The pace of year-over job growth in the professional and business services sector was off the pace of July 2005 when the sector's year-over gains totaled 62,200 jobs.
- ▶ Year-over job growth in the leisure and hospitality sector totaled 40,000 jobs in July, signaling continued strength in California's tourism and recreation industries.
- ▶ Government added 30,600 jobs over the year ending in July 2006. This was a considerable improvement over previous years. Government gained just 12,300 jobs over the year ending in July 2005, and lost 36,000 jobs over the year ending in July 2004. Local government

accounted for 75 percent of government's year-over job growth in July 2006

- ▶ Educational and health services added 28,000 jobs over the last year. This was an improvement over previous years. The sector's year-over gains totaled 18,600 and 19,300 jobs in July 2005 and July 2004, respectively.



- ▶ Employment in California's manufacturing sector stabilized over the last year. Although the sector lost 5,600 jobs over the last year, this was a considerable improvement over July 2005 when year-over losses totaled 32,200 jobs.
- ▶ Year-over job growth in the trade, transportation, and utilities; construction; and financial activities sectors slowed considerably over the last year.
- ▶ Year-over gains in California's trade, transportation, and utilities sector totaled 18,900 jobs in July 2006. This compares to year-over gains of 58,300 jobs in July 2005.

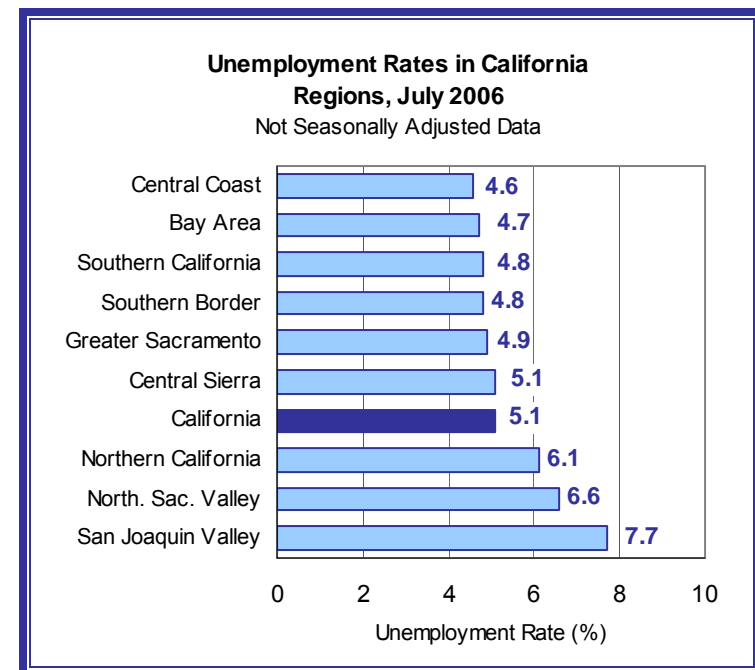
Unadjusted data show that this slowdown in job growth was concentrated in retail trade, suggesting that high energy pricing and rising interest rates may have dampened consumer spending.

- ▶ Reflecting the cooling housing market, construction gained just 12,700 jobs over the year ending in July 2006. This compares to year-over growth totaling 49,100 and 63,700 jobs in July 2005 and July 2004, respectively. Construction's 1.4 percent job increase over the year-ending in July 2006 ranked sixth out of California's eleven industry sectors. Construction lost 12,900 jobs over the first seven months of 2006.

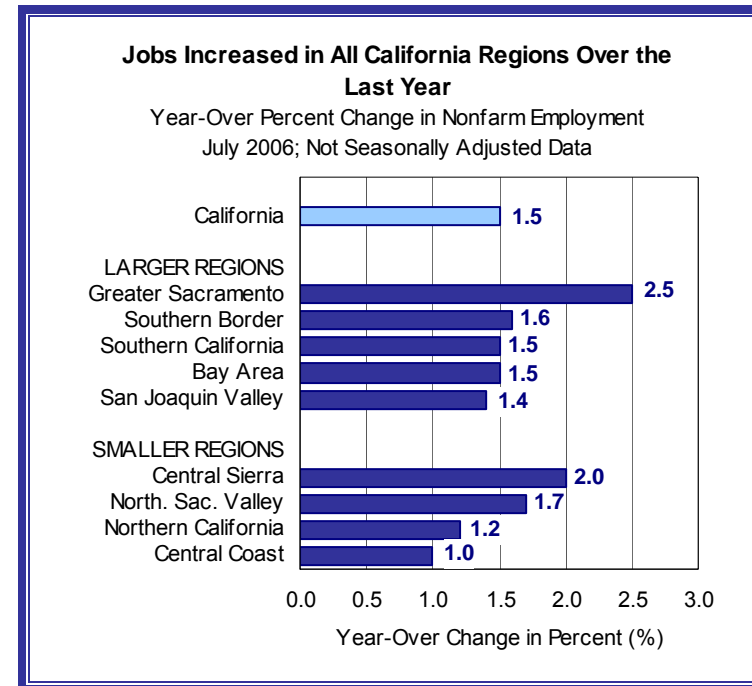
- ▶ Job growth in California's financial activities sector also slowed over the last year. The sector gained 13,100 over the year ending in July 2006. In contrast, the sector's year-over job growth totaled 23,000 jobs in July 2005. Unadjusted data show that the slowdown in job growth was concentrated in the housing-oriented credit intermediation and related activities industry.
- ▶ Although job growth has slowed, the overall California economy has managed to cope with the softening housing market and spiking energy prices thus far in 2006. The length and magnitude of the housing slump and behavior of energy prices will continue to influence the pattern of employment growth in the months to come.

## UNEMPLOYMENT RATES ARE FALLING AND JOBS ARE EXPANDING IN ALL REGIONS OF THE STATE

- ▶ Regional labor markets characterize California's vast economy. The state's five largest regions (Southern California, Bay Area, Southern Border, San Joaquin Valley, and Greater Sacramento) account for close to 95 percent of California's jobs.
- ▶ Regional unemployment rates vary. The unemployment rates of the state's more urban regions along the coast tend to be lower than those of more rural or agriculturally-oriented regions.
- ▶ Central Coast had the lowest regional unemployment rate in July 2006 at 4.6 percent, while the agriculturally-oriented San Joaquin Valley had the highest rate at 7.7 percent.
- ▶ The Bay Area's 4.7 percent unemployment rate in July was the lowest among the State's largest regions. San Joaquin Valley was the only large region with an unemployment rate greater than 5.0 percent.



- ▶ Central Coast was the only one of California's smaller regions to have an unemployment rates below 5.0 percent.
- ▶ The unemployment rates of all California regions fell over the year ending in July 2006. The Bay Area (down 0.6 percentage point) had the largest year-over unemployment rate drop. It was the only region to have a year-over unemployment rate decrease larger than California's 0.5 percentage point decrease (not seasonally adjusted data).
- ▶ The only regions with year-over unemployment rate decreases that were less than California's 0.5 percentage point decrease were Southern Border (down 0.4 percentage point), Central Coast (down 0.2 percentage point), and Greater Sacramento (down 0.2 percentage point).
- ▶ Nonfarm payrolls grew in each of California's nine economic regions over the last year. Year-over job growth was strongest in Greater Sacramento (2.5 percent), and weakest in Central Coast (1.0 percent).
- ▶ Greater Sacramento and Southern Border's (1.6 percent) year-over job growth exceeded the State's 1.5 percent growth. Year-over job growth in the Bay Area and Southern California, the State's two largest regional economies, equalled that of the State. San Joaquin Valley (1.4 percent) was the only larger region where job growth lagged behind the State's.
- ▶ Central Sierra and Northern Sacramento Valley were the smaller regions that had stronger year-over job than the State. Year-over job growth in Northern California lagged behind the State. However, the region's year-over growth of 1.2 percent in July 2006 was a distinct improvement over July 2005, when year-over job growth totaled just 0.4 percent.



- ▶ As befits its size, the Southern California region had the largest year-over nonfarm employment gain of any region, adding 107,800 jobs. Year-over gains in the Bay Area Region totaled 50,500 jobs. Greater Sacramento (23,300 jobs) and Southern Border (20,900 jobs) were the other California regions to gain more than 20,000 jobs over the last year.
- ▶ The Bay Area's employment situation continues to strengthen. The region's 50,500-job gain over the year ending in July 2006 compares to a year-over gain of 27,900 jobs in July 2005 and a year-over loss of 1,500 jobs in July 2004.
- ▶ Only two California regions—San Joaquin Valley and Central Coast—had slower year-over job growth in July 2006 than in July 2005.



# SPOTLIGHT ON LOGISTICS INDUSTRIES

- ▶ Logistics—the transportation and delivery of manufactured goods—is a key element of California’s manufacturing value chain. Offshore production, just-in-time delivery, and e-commerce place increased demands upon California’s infrastructure and network of logistics-related industries—transportation services, logistics support, warehousing and storage, and supply chain management. Just-in-time delivery involves detailed planning, containerized cargo, computer technology, and the supply chain inventory functions of Radio Frequency Identification (RFID) tags to coordinate the movement of goods in and out of ports and airports, between modes of transportation, and on to other states and countries. California’s Economic Strategy Panel and Regional Economies Project (CREP)<sup>1</sup> have focused on logistics as a source of anticipated job growth along transportation corridors.
- ▶ Logistics-related industries in California will grow by 63,124 workers, or 15.9 percent, between 2004 and 2014. Additional replacement workers will be needed for those who retire or otherwise permanently leave.
- ▶ The logistics industry offers workforce benefits along the transportation corridors where unemployment is typically higher. Logistics jobs can offer opportunities to lower-skilled workers, do not require extensive training, and offer opportunities to advance with experience. Types of logistics jobs range from Hand Packers and Packagers, to Customer Service Representatives, to Air Traffic Controllers.
- ▶ Wages in logistics-related industries are often higher than wages for the same occupation across all

industries, particularly for occupations with limited skill requirements.

Median Wage Examples	
Logistics vs. All Industries	
<b>Aircraft Mechanics</b>	<b>\$58,809</b>
• All industries	\$55,333
<b>Dispatchers (except police/fire)</b>	<b>\$34,283</b>
• All industries	\$33,984
<b>Industrial Truck and Tractor Operators</b>	<b>\$34,629</b>
• All industries	\$30,090
<b>Truck Drivers (light/delivery)</b>	<b>\$28,961</b>
• All industries	\$25,091
<b>Hand Packers</b>	<b>\$21,899</b>
• All industries	\$17,294

Source: EDD, LMID, Occupational Employment Statistics Wages and Employment, First Quarter 2006.

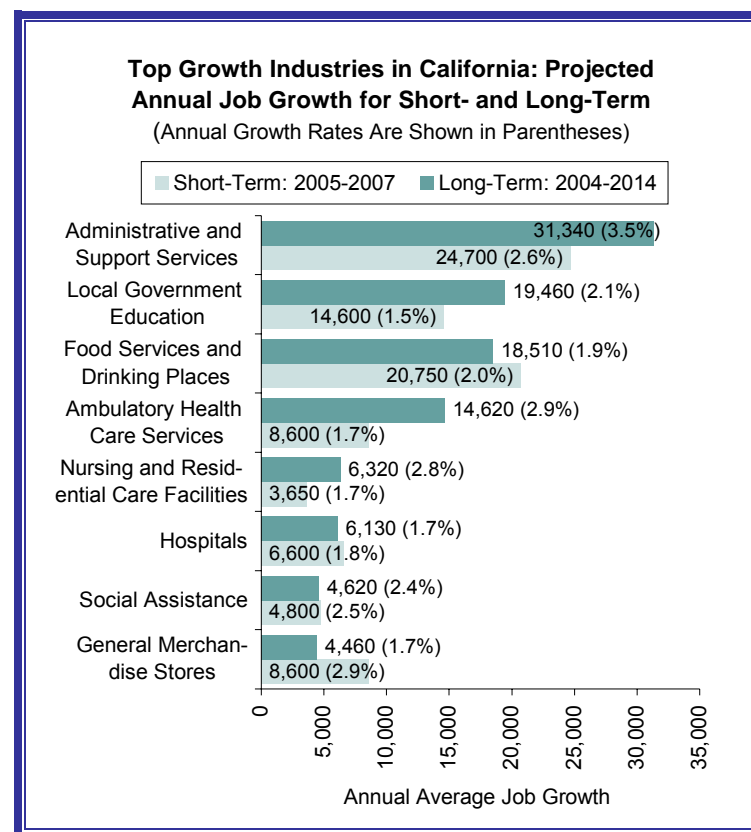
- ▶ *Opportunities in Logistics*, a soon-to-be-released e-publication from the Employment Development Department at its [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov) Web site, profiles 39 logistics-related occupations. The occupational descriptions include tasks, skills, training, outlook, wages, and employing industries. *Opportunities in Logistics* provides links to short videos of some occupations in action.

<sup>1</sup> Collaborative Economics, Logistics and Manufacturing Value Chains: Meeting the Workforce and Infrastructure Demands of a “Real Time” Economy, July 2005, <http://www.calregions.org/regcivic/summit2005/presentations/7.HentonPresentation.pdf> (August 2006).



# THE SHORT- AND LONG-TERM JOB OUTLOOK

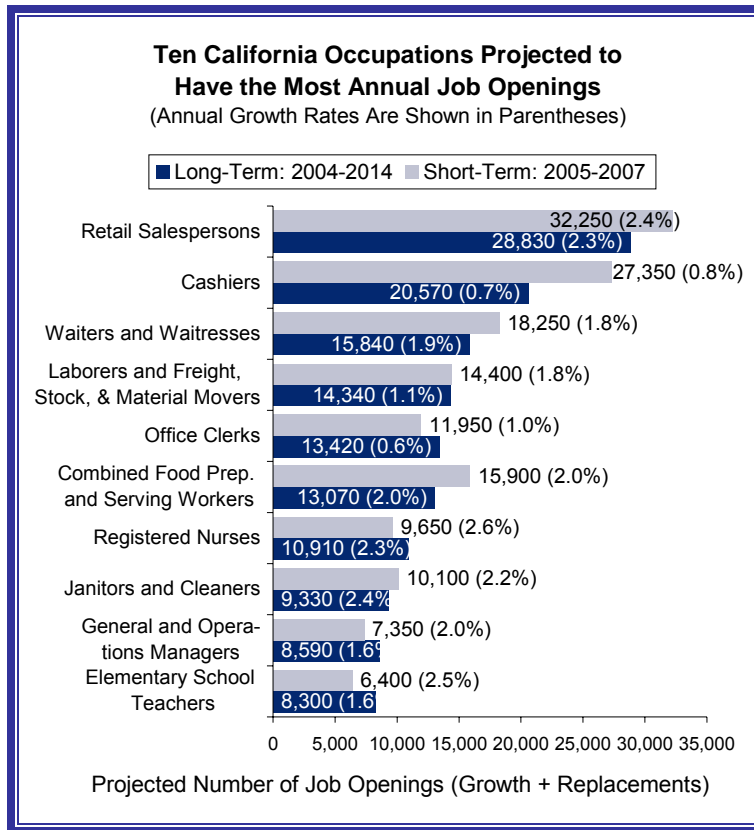
- ▶ California's nonfarm employment is expected to grow at a rate of 1.3 percent in 2007, adding 195,000 new jobs. This is a bit slower than the long-term outlook, which projects nonfarm payrolls to grow at an annual average rate of 1.8 percent, or nearly 257,000 new jobs per year through 2014.
- ▶ California's short- and long-term projections now include four new employment categories in addition to nonfarm wage and salary employment. The categories are self-employment, unpaid family workers, private household workers, and farm employment. The inclusion of these categories with wage and salary employment provides a more accurate comparison to national and other state projections.
- ▶ For both the short- and long-term industry projections, more than 70 percent of the job growth will be concentrated in five major industry sectors: professional and business services, education and health services, government, retail trade, and leisure and hospitality. Within these major sectors are industries such as administrative and support services, local government, education, food services and drinking places, and ambulatory health care services, all of which are expected to add over 10,000 jobs annually over the long-term.
- ▶ Even though overall nonfarm job growth is expected to be higher over the long-term than the short-term, projected annual job growth for general merchandise stores, and food services and drinking places is projected to be stronger over the short-term. This is because short-term projections are made from the fourth quarter of 2005 through the fourth quarter of 2007, and these industries typically experience a large increase in employment during the holiday season.



- ▶ Job Openings are created when an industry grows or a worker creates a vacant position by leaving the labor force or changing occupations. Many of the job openings (growth plus replacements) for the short- and long-term will occur in entry level, transitional jobs in which there is a constant need for new workers. Seven of the ten occupations with the most projected job openings require short-term on-the-job training and pay a median hourly wage less than \$13.00. Retail salespersons; cashiers; waiters and waitresses; and

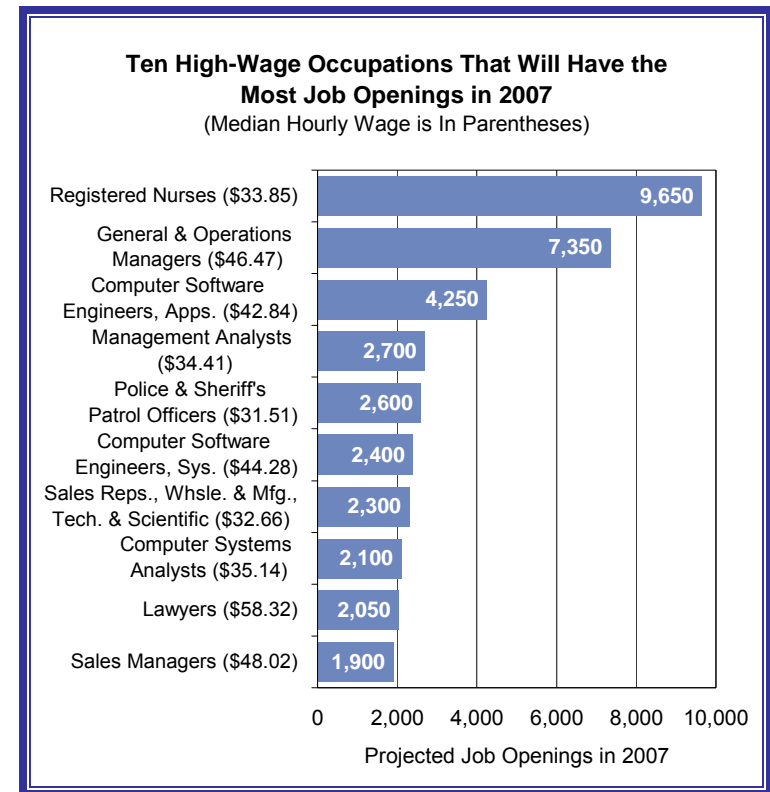
laborers and freight, stock, and material movers are expected to be in the highest demand.

- ▶ Three of the ten occupations with the most projected job openings require higher education and training. They include registered nurses, general and operations managers, and elementary school teachers.



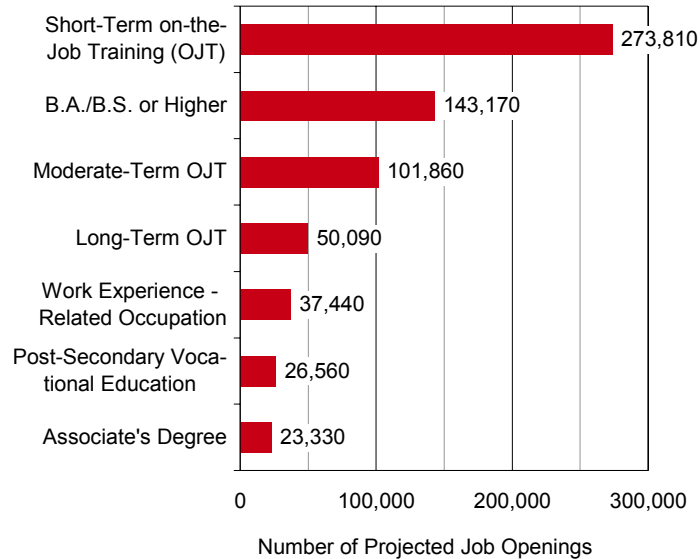
- ▶ Several occupations that pay median hourly wages of more than \$30—including registered nurses, and general and operations managers—will provide a substantial number of job openings in 2007. These high paying occupations include computer-related occupations; management analysts; police and sheriff's patrol officers;

and sales representatives, wholesale and manufacturing for technical and scientific products.



- ▶ The long-term outlook for the number of job openings by education and training reflects employers' need for a wide range of trained workers. While there will be many openings for workers who can obtain their training on the job, there will also be a substantial number of job openings that will require at least a bachelor's degree. About 22 percent of all job openings forecasted through 2014 will require a bachelor's degree or higher.

**Projected Average Annual Job Openings by  
Education and Training Required, 2004-2014**



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